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Report Highlights:

Plan panel for halving food, fertilizer subsidies..., *Fear of inflation may spook government on subsidy cuts*, *No cut in subsidy to PSUs for buying imported pulses*, *Private weathermen flooded with deals*, *Less is more for Aditya Birla Retail*, *Bumper potato crop sends prices crashing*.

General Information:

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

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PLAN PANEL FOR HALVING FOOD, FERTILIZER SUBSIDIES ...

Concerned over the subsidy bill touching Rs. 1.9 trillion (\$41.3 billion) in IFY 2010-11 (Apr-Mar), the Planning Commission pitched for halving it, which, if accepted, could push up prices of fertilizer, cooking gas and food grains being sold through the government's fair price shops. "If the subsidies were cash-based and given to Planning Commission ...subsidies would be halved without any effort. With that Rs. 80,000 crore (Rs. 800 billion) saved can go to health and education," a top official of the Commission said. Planning Commission Deputy Chairman Montek Singh Ahluwalia in a presentation before Prime Minister Manmohan Singh last week had made a case for increasing prices of food, fertilizer and petroleum products to contain subsidy. (Source: Financial Express, 03/30/10)

... FEAR OF INFLATION MAY SPOOK GOVERNMENT ON SUBSIDY CUTS

With high inflation despite a dip in food prices – the government's main political worry – efforts to prune subsidies might have been put on hold due to fears that such measures might attract criticism for being inflationary. The move to revise price of foodgrains issued for the Above Poverty Line (APL) clientele of the Public Distribution System (PDS) has been shelved for the time being despite the widening gap between APL and open market prices has fuelled large scale leakage of PDS grains into the open market and the food subsidy bill has reached Rs. 550 billion (\$12 billion). Although food inflation declined marginally to 16.33 percent for the week ending February 16, overall Wholesale Price Index – based inflation is expected to reach double digit in March 2010. (Source: Times of India, 04/01/10)

NO CUT IN SUBSIDY TO PSUS FOR BUYING IMPORTED PULSES

Subsidy given to Public Sector Undertakings (PSUs) to buy imported pulses will not be reduced, an

Empowered Group of Ministers has ruled. Paring subsidies will lead to higher prices as the government parastatals could reduce imports to check their losses, EGoM said while rejecting the Food Ministry's demand to cut the reimbursement made to PSUs for their pulse imports. The government subsidizes PSUs up to 15 percent for losses incurred through more expensive imports sold at lower prices to private traders and to state governments. The Consumer Affairs Department had suggested that the subsidy be slashed to 5 percent so that the PSUs import pulses at more competitive rate. (Source: Economic Times, 03/29/10)

PRIVATE WEATHERMEN FLOODED WITH DEALS

Big corporate houses are rushing to private weather forecasters for monsoon projections, as they look to finalize their investment and production plans for next year. Private forecasts give corporates more time to strategize ahead of the official weather forecast by the Indian Meteorological Department, which is expected in mid-April. "There are inquiries from some prominent white goods makers and equipment manufacturers about the strength of the monsoon," said a Delhi-based weather forecasting company (Skymet). Global climate forecasting firms such as Customweather and Accuweather are also scaling up their India-centric operations to cash in on increasing demand. (Source: Economic Times, 03/29/10)

LESS IS MORE FOR ADITYA BIRLA RETAIL

Aditya Birla Retail, which runs 'More' supermarkets and hypermarkets, has closed 39 stores, including two-thirds of its outlets in Gujarat, company CEO Thomas Varghese said. The retail venture of the \$28-billion Aditya Birla Group has closed these stores over the last nine months as part of a strategy to discontinue unprofitable stores. The firm is reviewing its remaining six stores in the state where high rentals and a culture of heavy discounting have made profitability unlikely, Mr. Varghese said. "The Gujarati consumer is extremely discerning. This has resulted in a culture of heavy discounting and it has reached a level where it didn't make sense for us anymore." Also, landlords in the state were unwilling to renegotiate rent even after real estate rates dropped across the country, he said. Most retailers in India are caught in an expansion dilemma. If a company is too slow to expand its network, rivals will take positions in key areas in important cities and towns. If it expands too soon, it could affect the company's financial stability if sales slow. (Source: Economic Times, 04/1/10)

BUMPER POTATO CROP SENDS PRICES CRASHING

A bumper crop, government apathy and exploitation by middlemen has driven a debt-ridden potato farmer to commit suicide in North Bengal's Jalpaiguri district this week. According to state agriculture minister Naren De, this year the total production of potato has been over 9.5 million

tons which is much above the average annual yield of 8 to 8.5 million tons. "The state has only 375 cold storages with a total capacity of 4 million tons, thus there is a glut in the market and a good amount of potato has still not been harvested and rotting in the fields." According to officials of the agricultural cooperative banks, which offer credit to farmers, the problem stems from the fact that farmers don't have direct access to the market. "The entire market is controlled and operated by middlemen who also act as moneylenders and control cold storage facilities. The poor and marginal farmers often depend on them for credit and in turn give their produce to these middlemen at a much lower price." The government arrived in the market when most farmers had sold their produce to middlemen. (Source: Business Standard, 03/28/10)

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